OPERATIONS DIRECTORATE SUPPORT OFFICERS' MEETING

DD/M&S Conference Room

4 April 1973

1. Present were:

25X1A [redacted]

2. No regular DDO Staff Meeting.

3. Other items of interest.

a. New Payroll System. At the meeting last week we were asked whether it would be necessary for personnel to fill out new forms authorizing deductions and establishing proper withholding tax levels for the new payroll system. The new system will cover only staff employees; all others will continue to be handled as they are now. The data which is now in the old system for staff employees can be transferred between vouchered and unvouchered payrolls without action on the part of the individual. Authorized deductions under one would be picked up and continued under the other. However, the new system will ultimately make it possible for employees to authorize payroll deductions for UBLIC and WAEPA insurance, and employees desiring such deductions will have to fill out a form to authorize them.

25X1A b. Unexplained Absences. [redacted] called last week to remind that his office should be informed immediately whenever we have an unexplained absence.
25X1A [redacted] covers employee emergencies and unforseen absences. Steve suggested we call [redacted] Chief, Personnel Security Division/OS, on Black [redacted] or Red [redacted] 25X1A

c. Terrorism. The "CIA A to Z," etc., compilation is being used by some of you to refresh the memories of people at certain stations that they are listed. O/C asks that you check with them on any future messages you might originate to be sure that Communications careerists who have been so identified are included. 25X1

[redacted]

d. Disability Retirement and Sick Pay Exclusion. Last week we promised to give you a note on this subject. The question posed was the income tax value to a person retiring under disability circumstances. There is a rule for retirees under the Civil Service Retirement System (CSRS), a different rule for those retiring under the CIA Retirement and Disability System (CIARDS), and to further complicate the matter, there is a recent court case on the subject which could affect those under CSRS but not those under CIARDS.

We have given you a copy of IRS Publication 567 (10-71) entitled "Tax Advice on Civil Service Disability Retirement Payments." Note that IRS now allows the sick pay exclusion from taxable income of $100 per week for any period before attaining retirement date which IRS (for current retirees) defines as:

a. Age 55 with 30 years or more service; or

b. Upon completion of 30 years of service if such date occurs after you reach age 55 but before you reach age 60; or

c. At age 60 with 20 years or more service; or

d. Upon completion of 20 years of service if such date occurs after you reach age 60 but before you reach age 62; or

e. At age 62, or the date your services were terminated, whichever is later.

Note that if you had already attained the "retirement date," as outlined above, when your service is terminated by reason of disability the sick pay exclusion does not apply at all to your tax liability.

A different rule applies to CIARDS. Here, by law an employee has no right to retire until he reaches age 60 if GS-17 or below and at age 65 if GS-18 or higher. He may retire at age 50 with 20 years of service, or at any age with 25 years service, but in either such case the approval of the DCI is required. IRS will allow the sick pay exclusion to CIARDS participants retired on disability up to age 60 or 65 depending upon grade at time of retirement.

In Brooks v. U.S., which was decided on 8 February 1973 by the U.S. Court of Appeals for the 6th Circuit, the Court ruled that the IRS interpretation of the law is incorrect and that an employee retired for disability is entitled to the sick pay exclusion until he reaches mandatory retirement age. Under CSRS this is age 70 with 15 years service. Under CIARDS, it is age 60 or 65 as noted above.

IRS will not appeal this decision and consequently it will be binding only in cases of taxpayers living in Kentucky, Michigan, Ohio and Tennessee, the states included in the 6th U.S. Judicial Circuit. However, IRS will soon try a similar case and if they lose they will reconsider their position. In the meantime taxpayers not living in the 6th Circuit must follow the IRS regulation or litigate if their claim for the exclusion is challenged by the IRS.

e. 1973 Income Tax Liability for Retirees. Those persons retiring between now and the end of June who are not anticipating other than annuity income during the remainder of 1973, might wish to examine their anticipated income tax liability for this year in the light of income tax that already has been or will be withheld. Otherwise, they may not have the use of a substantial sum of money until they file their 1973 return and receive a refund. OF has no choice but to withhold 20% of the lump sum leave payment for Federal tax plus a percentage for State tax. But one may change his regular salary tax withholding on pay to be received between now and retirement date by the following:

a. Compute total expected salary through retirement date and lump sum leave payment.

b. Compute total income tax withheld to date plus withholding on lump sum leave payment.

c. Compute estimated income tax obligation for 1973 using a and b above plus other income (such as interest) expected for the total year.

d. From USCSC Salary Table No. 58, find amount of one exemption for GS- grade and step involved for Federal income tax.

e. Based on amount being currently withheld for taxes, compute additional exemptions desired to be claimed and complete Form 3280 for Federal withholding. OF/C&T suggests that if computation of State tax liability shows that withholdings to date have satisfied tax obligations, simply ask that withholding for State taxes be discontinued. Do this by memorandum.

NOTE: OF will accept your certification but cautions that you must not exceed the amount of withholding to which you are legally entitled.

f. O/S Returnees on Excess List. There will be some cases where an employee now overseas is on the excess list and will be in Headquarters prior to retirement or separation. Since these people will not be entitled to TLA upon return from abroad, Area Divisions (and others) should return the employee TDY to Headquarters for separation processing. The employee may be authorized maximum per diem to the date of separation and if some additional per diem is necessary for dependents, submit such requests to SSA-DD/M&S for approval.

g. CIARDS Quota. The Director appeared before the House Committee last Friday and will appear before the Senate Committee tomorrow.

h. Bob Wattles. On the 3rd of April, Hal Brownman announced he was pleased to have persuaded Bob to defer his retirement until 30 June 1974.

25X1 i. [redacted] has asked to retire from his job as Director of Communications and the date has been set at 14 April 1973. There will be a Retirement Reception for him in the Rendezvous Room on 13 April from 1730 to
25X1A 1930. Contact "Lu" [redacted] for tickets ($4.75 each) not later than 1500 hours 11 April. Wives are welcome.

25X1

25X1A

93D CONGRESS
1ST SESSION

H. R. 6167

IN THE HOUSE OF REPRESENTATIVES

MARCH 27, 1973

Mr. NEDZI introduced the following bill; which was referred to the Committee on Armed Services

A BILL

To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That effective April 1, 1973 the figure "2100" is substituted for the figure "800" in section 236, of the Central Intelligence Agency Act of 1964 for Certain Employees (78 Stat. 1043; 50 U.S.C. 403 note).

I

Limitation on Number of Retirements

SEC. 236. The number of participants retiring on an annuity pursuant to sections 233, 234, and 235 of this Act shall not exceed a total of four hundred during the period ending on June 30, 1969, nor a total of eight hundred [39] during the period beginning on July 1, 1969, and ending on June 30, 1974.

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